

PERRY CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2005

**PERRY CITY CORPORATION  
FINANCIAL REPORT  
JUNE 30, 2005**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Independent Auditors' Report</b>	<b>1-2</b>
<b>Management's Discussion and Analysis</b>	<b>3-8</b>
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets	9
Statement of Activities	10-11
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	12
Balance Sheet Reconciliation to Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	16
Statement of Net Assets - Proprietary Funds	17-18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Notes to Financial Statements	21-37
<b>Supplemental Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Projects Fund	38



## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council Members  
Perry City Corporation  
Perry City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City Corporation (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City Corporation as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2005, on our consideration of Perry City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing or internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the same auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Wiggins & Co., PC*

Brigham City, Utah  
November 2, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Perry City Corporation, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. The General Fund includes governmental activities such as administration, fire and first responder services, police protection, roads and parks. The Enterprise Fund comprises utilities of water, sewer, garbage and storm drain.

### **Financial Highlights**

The total net assets of Perry City Corporation increased by \$321,510, totaling \$10,852,790. The governmental activities' net assets decreased by \$134,735 and the business-type activities' net assets increased by \$456,245.

The total net assets of Perry City Corporation is \$10,852,790, and is made up of \$9,101,879 in capital assets (net of related debt) such as land, infrastructure, buildings and improvements and machinery and equipment. The remaining net assets total \$1,750,911. Of this amount, \$1,418,833 is unrestricted. The remaining \$332,078 is restricted for such items as debt service reserves, capital projects and impact fees.

Total long-term liabilities of the City decreased by \$47,795. The long-term debt consists of bonds for improvements to the water and sewer systems in the Utility Fund and compensated absences recorded in the General Fund and Utility Fund. The only new debt incurred was for additional amounts recorded for compensated absences. The total outstanding long-term debt of the City at June 30, 2005, was \$598,619.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Perry City Corporation's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. Regardless of the timing of related cash flows, changes in net assets are reported as soon as the underlying event occurs that gives rise to the change. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 9-11 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds**---These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental funds in a reconciliation included with the fund financial statements.

The City reports two governmental funds as major funds (as determined by generally accepted accounting principles) in the fund financial statements. The two major funds reported are the General Fund and the Capital Project Fund.

**Proprietary Funds**---The City maintains one enterprise fund which is proprietary in nature. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for Culinary Water, Sewer, Garbage and Storm Drain utilities. As determined by generally accepted accounting principles, this utility fund meets the criteria for major fund classification. The City uses an Internal Service Fund to report activities that provide supplies and services to the City's other programs and activities.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For Perry City Corporation, assets exceeded liabilities by \$10,852,790 at June 30, 2005.

By far the largest portion of the City's net assets (84%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that is outstanding at year end. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the operations of the funds wherein the capital assets are recorded, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the net assets of the City is as follows:

Governmental Activities:

	2005	2004	Total Changes
Current and other assets	\$ 652,491	\$ 661,488	\$ (8,997)
Capital assets	7,142,582	7,006,670	135,912
Total assets	7,795,073	7,668,158	126,915
Current and other liabilities	1,891,166	1,627,592	263,574
Long-term liabilities	25,185	27,109	(1,924)
Total liabilities	1,916,351	1,654,701	261,650
Net assets:			
Invested in capital assets, net of related debt	5,599,183	5,648,076	(48,893)
Restricted	-	61,968	(61,968)
Unrestricted	279,539	303,413	(23,874)
Total net assets	\$ 5,878,722	\$ 6,013,457	\$ (134,735)

Business-type activities:

	2005	2004	Total Changes
Current and other assets	\$ 1,586,358	\$ 1,194,052	\$ 392,306
Capital assets	4,071,721	4,028,491	43,230
Total assets	5,658,079	5,222,543	435,536
Current and other liabilities	110,577	85,415	25,162
Long-term liabilities	573,434	619,305	(45,871)
Total liabilities	684,011	704,720	(20,709)
Net assets:			
Invested in capital assets, net of related debt	3,502,696	3,412,389	90,307
Restricted	332,078	216,269	115,809
Unrestricted	1,139,294	889,165	250,129
Total net assets	\$ 4,974,068	\$ 4,517,823	\$ 456,245

The City's total net assets increased by \$321,510 as summarized below:

**Governmental Activities:**

	<u>2005</u>	<u>2004</u>	<u>Total Changes</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 306,925	\$ 260,990	\$ 45,935
Operating grants and contributions	126,519	197,239	(70,720)
Capital grants and contributions	2,200	5,039	(2,839)
<b>General revenues:</b>			
Property taxes	285,847	258,297	27,550
Sales taxes	422,704	549,693	(126,989)
Energy, 911 and Franchise taxes	44,186	47,118	(2,932)
Unrestricted investment earnings	42,027	23,155	18,872
Gain on sale of fixed assets	(5,172)	(11,461)	6,289
<b>Total revenues</b>	<u>1,225,236</u>	<u>1,330,070</u>	<u>(104,834)</u>
<b>Expenses:</b>			
Judicial	23,560	52,440	(28,880)
Administration	339,913	314,491	25,422
Public safety	339,739	313,171	26,568
Highways and streets	330,367	334,028	(3,661)
Parks	132,142	106,499	25,643
Interest on long-term debt	194,250	85,822	108,428
<b>Total expenses</b>	<u>1,359,971</u>	<u>1,206,451</u>	<u>153,520</u>
<b>Change in net assets</b>	<u>\$ (134,735)</u>	<u>\$ 123,619</u>	<u>\$ (258,354)</u>

**Business-type activities:**

<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 968,500	\$ 783,088	\$ 185,412
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
<b>General revenues:</b>			
Unrestricted investment earnings	1,249	3,448	(2,199)
Gain on sale of fixed assets	68,191	7,250	60,941
<b>Total revenues</b>	<u>1,037,940</u>	<u>793,786</u>	<u>244,154</u>
<b>Expenses:</b>			
Water	257,784	254,992	2,792
Sewer	170,614	156,964	13,650
Garbage	118,480	94,228	24,252
Storm Drain	18,416	10,937	
Interest on long-term debt	16,401	17,884	(1,483)
<b>Total expenses</b>	<u>581,695</u>	<u>535,005</u>	<u>39,211</u>
<b>Change in net assets</b>	<u>\$ 456,245</u>	<u>\$ 258,781</u>	<u>\$ 204,943</u>

The change in the City's assets is mainly due to funds set aside to complete projects in fiscal year 2006. The projects were begun earlier but had not been completed at June 30, 2005. These include \$100,000 for completion of 1200 West, \$40,000 for improvements to 2450 South, and \$100,000 for improvements to the City's sewer lagoons.



The City continues to invest in infrastructure without borrowing any monies. Facilities such as roads, sidewalks, centralized storm detention, auto read water meters and major vehicle and equipment upgrades are the major reasons for the increase in expenses. These same expenses also increase Perry City assets. The decrease in revenue is due in part to the Justice Court elimination in fiscal year 2005, a sidewalk grant not received in fiscal year 2005, and the timing difference in collecting the sales tax from Brigham City on Wal-Mart. Administration expenses are up due to increased building permits issued and the fees paid to Box Elder County. Interest on long-term debt increased due to the variable rate on the interim warrants. Mountain View and Perry Park playground projects were completed in 2005.

The increase in utility revenue is directly related to growth and the increase in population. Personnel costs increase in relationship to growth as government is a service oriented business. Maintenance and repairs are ongoing costs and are necessary expenses for infrastructure longevity.

#### **Fund Financial Analysis**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At June 30, 2005, the City's governmental funds (General, and Capital Projects) reported combined fund balances of \$(1,179,589). This represents a decrease of \$206,677 during fiscal year 2005.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state statutes or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 61.7% of total General Fund revenues. The largest element of taxes is sales tax, representing 56.1% of total tax revenue and 36% of total General Fund revenues. As this is the only source of revenue we can encourage, we continue to invite and encourage new business to Perry City. Pointe Perry, a commercial development in Perry, has the first building under construction.

As stated earlier, the City maintains an Enterprise Fund to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government wide financial statements. However, the fund statements provide much more detail. See page 17-20 of the financial report for this information.

#### **Budgetary Highlights**

During the year, the budgets of each fund were established, and the City worked within that budget very closely. Only one adjustment was needed at the end of the year due to the large increase in vehicles and equipment. We work very carefully to accomplish our goals within the adopted budget.

#### **Capital Asset and Debt Administration**

The City's investment in capital assets for all activities at June 30, 2005, amounted to \$14,604,893. Accumulated depreciation on capital assets was \$3,390,590. Net capital assets amounted to \$11,214,303 at June 30, 2005. The investment in capital assets includes land, buildings and systems, improvements, infrastructure (roads, sidewalks, curb and gutter, etc.), and machinery and equipment. The total increase in the City's investment in capital assets during 2005 was \$480,236. Depreciation expense for 2005 was \$285,629, with \$175,709 recorded in governmental activities and \$109,920 recorded in business-type activities.

Major capital asset increases during 2005 are as follows:

Detention Pond on 2450 South  
 New school roads and a portion 1200 West  
 Purchased dump truck, 2 pickups and 2 police vehicles  
 Awning on City Building  
 Installed several auto-read meters for water system  
 Completed shop bay for first responders use  
 Upgraded computers, phone equipment and new copier  
 Upgraded backhoe

A comparison of the capital assets of the City is as follows:

Governmental activities:

	2005	2004	Total Changes
Land	\$ 188,825	\$ 188,825	\$ -
Buildings	71,436	62,036	9,400
Improvements	483,982	483,982	-
Infrastructure	6,256,808	6,056,414	200,394
Machinery & equipment	92,658	71,581	21,077
Vehicles	365,874	286,713	79,161
Construction in progress	1,183,252	1,183,252	-
	8,642,835	8,332,803	310,032
Less: accumulated depreciation	(1,500,253)	(1,326,133)	(174,120)

Total capital assets-governmental activities

\$ 7,142,582	\$ 7,006,670	\$ 135,912
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Business-type activities:

Land	\$ 173,579	\$ 183,573	\$ (9,994)
Buildings	96,992	96,992	-
Improvements	5,509,049	5,352,353	156,696
Machinery & equipment	125,646	119,198	6,448
Vehicles	3,800	3,800	-
Construction in progress	52,992	52,992	-
	5,962,058	5,808,908	153,150
Less: accumulated depreciation	(1,890,337)	(1,780,417)	(109,920)

Total capital assets-business-type activities

\$ 4,071,721	\$ 4,028,491	\$ 43,230
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Additional information on the City's capital assets can be found in the notes to the financial statements in this financial report.

The City had total outstanding long-term debt as of June 30, 2005, of \$598,619.

The detail of the long-term debt accounts is as follows:

	2005	2004	Total changes
Sewer Revenue Bonds Payable	\$ 480,000	\$ 508,000	\$ (28,000)
Water Revenue Bonds Payable	33,000	44,000	(11,000)
Water Revenue Bonds Payable	56,025	64,101	(8,076)
Police Car Note Payable	11,001	16,304	(5,303)
Compensated Absences Payable	18,593	10,915	7,678
Lease Payable	-	3,094	(3,094)
Total Long-term Debt	\$ 598,619	\$ 643,320	\$ (44,701)

Additional information on the City's long-term debt can be found in the notes to the financial statements in this financial report.

**PERRY CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 530,370	\$ 1,140,648	\$ 1,671,018
Receivables			
Taxes	51,222	-	51,222
Accounts (net of allowance for bad debts of \$1,500)	45,047	58,487	103,534
Other	-	-	-
Due from other government units	25,852	-	25,852
Due from other funds	-	55,145	55,145
Inventory	-	-	-
Prepaid expenses	-	-	-
Restricted cash and cash equivalents	-	332,078	332,078
Deferred charges	-	-	-
Capital assets (net of accumulated depreciation)			
Land	188,825	173,579	362,404
Buildings	56,295	93,355	149,650
Improvements	212,077	3,658,186	3,870,263
Infrastructure	5,321,780	-	5,321,780
Equipment	32,736	93,609	126,345
Vehicles	147,617	-	147,617
Construction in progress	1,183,252	52,992	1,236,244
<b>Total Assets</b>	<b>7,795,073</b>	<b>5,658,079</b>	<b>13,453,152</b>
<b>LIABILITIES</b>			
Accounts payable	147,726	46,602	194,328
Accrued liabilities	27,722	12,321	40,043
Bond interest payable	-	7,809	7,809
Warrants payable	1,532,398	-	1,532,398
Due to other funds	55,145	-	55,145
Deferred revenue	128,175	43,845	172,020
Noncurrent liabilities - due within one year	5,672	48,819	54,491
Noncurrent liabilities - due in more than one year	19,513	524,615	544,128
<b>Total Liabilities</b>	<b>1,916,351</b>	<b>684,011</b>	<b>2,600,362</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of debt	5,599,183	3,502,696	9,101,879
Restricted for:			
Highways and streets	-	-	-
Debt service	-	81,300	81,300
Capital projects	-	250,778	250,778
Unrestricted	279,539	1,139,294	1,418,833
<b>Total Net Assets</b>	<b>\$ 5,878,722</b>	<b>\$ 4,974,068</b>	<b>\$ 10,852,790</b>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
Judicial	\$ 23,560	\$ 44,953	\$ -	\$ -
Administration	339,913	175,673	-	-
Public safety	339,739	26,522	1,933	1,200
Streets	330,367	18,333	124,586	-
Parks	132,142	41,444	-	1,000
Interest on long-term debt	194,250	-	-	-
Total governmental activities	<u>1,359,971</u>	<u>306,925</u>	<u>126,519</u>	<u>2,200</u>
Business-type activities:				
Water	257,784	468,247	-	-
Sewer	170,614	314,881	-	-
Garbage	118,480	126,577	-	-
Storm Drain	18,416	58,795	-	-
Interest on long-term debt	16,401	-	-	-
Total business-type activities	<u>581,695</u>	<u>968,500</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,941,666</u>	<u>\$ 1,275,425</u>	<u>\$ 126,519</u>	<u>\$ 2,200</u>

General revenues

Property taxes

Sales taxes

Energy, 911 and Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain (loss) on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 21,393	\$ -	\$ 21,393
(164,240)	-	(164,240)
(310,084)	-	(310,084)
(187,448)	-	(187,448)
(89,698)	-	(89,698)
(194,250)	-	(194,250)
<u>(924,327)</u>	<u>-</u>	<u>(924,327)</u>
-	210,463	210,463
-	144,267	144,267
-	8,097	8,097
-	40,379	40,379
-	(16,401)	(16,401)
-	<u>386,805</u>	<u>386,805</u>
<u>(924,327)</u>	<u>386,805</u>	<u>(537,522)</u>
285,847	-	285,847
422,704	-	422,704
44,186	-	44,186
-	-	-
42,027	1,249	43,276
(5,172)	68,191	63,019
-	-	-
<u>789,592</u>	<u>69,440</u>	<u>859,032</u>
<u>(134,735)</u>	<u>456,245</u>	<u>321,510</u>
<u>6,013,457</u>	<u>4,517,823</u>	<u>10,531,280</u>
<u>\$ 5,878,722</u>	<u>\$ 4,974,068</u>	<u>\$ 10,852,790</u>

PERRY CITY CORPORATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 470,894	\$ 59,477	\$ 530,371
Investments			
uncollectibles):			
Accounts	45,047	-	45,047
Taxes	51,222	-	51,222
Due from other governments	25,852	-	25,852
Due from other funds	-	-	-
Restricted cash and cash equivalents	-	-	-
Total assets	<u>\$ 593,015</u>	<u>\$ 59,477</u>	<u>\$ 652,492</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 144,957	\$ 116,936	\$ 261,893
Accrued payroll liabilities	26,550	-	26,550
Due to other funds	-	-	-
Warrants payable	-	1,532,398	1,532,398
Deferred revenue	11,240	-	11,240
Total liabilities	<u>182,747</u>	<u>1,649,334</u>	<u>1,832,081</u>
<b>Fund balances</b>			
Reserved for Class C Roads	-	-	-
<b>Unreserved:</b>			
Undesignated	410,268	(1,589,857)	(1,179,589)
Total fund balances	<u>410,268</u>	<u>(1,589,857)</u>	<u>(1,179,589)</u>
Total liabilities and fund balances	<u>\$ 593,015</u>	<u>\$ 59,477</u>	<u>\$ 652,492</u>

The notes to the financial statements are an integral part of this statement.

**PERRY CITY CORPORATION**  
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**NET ASSETS**  
**JUNE 30, 2005**

Total fund balances-governmental funds \$ (1,179,589)

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$	188,825	
Buildings		71,436	
Improvements		483,982	
Infrastructure		6,256,808	
Equipment		92,658	
Vehicles		365,874	
Construction in progress		1,183,252	
Accumulated depreciation		<u>(1,500,253)</u>	
Total capital assets			7,142,582

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets. The capital assets are included in above. Other assets and liabilities include the following:

Current assets		-	
Current liabilities		(3,941)	
Current portion - note payable		(5,672)	
Current portion - lease payable		-	
Compensated absences		(327)	
Due to other funds		(55,145)	
Note payable		<u>(5,329)</u>	
			(70,414)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences		<u>(13,857)</u>	
Total liabilities			<u>(13,857)</u>

Total net assets-governmental funds \$ 5,878,722

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	General	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property	\$ 285,847	\$ -	\$ 285,847
Sales	422,704	-	422,704
Energy, 911 and Franchise tax	44,186	-	44,186
Licenses and permits	172,601	-	172,601
Intergovernmental	123,526	-	123,526
Charges for services	21,113	-	21,113
Fines	44,953	-	44,953
Investment earnings	41,292	734	42,026
Contributions and donations	5,168	-	5,168
Miscellaneous	13,283	-	13,283
Total revenues	<u>1,174,673</u>	<u>734</u>	<u>1,175,407</u>
EXPENDITURES			
Current:			
Judicial	23,560	-	23,560
Administration	370,201	-	370,201
Public safety	331,398	-	331,398
Streets	366,622	-	366,622
Parks	97,101	-	97,101
Total expenditures	<u>1,188,882</u>	<u>-</u>	<u>1,188,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,209)</u>	<u>734</u>	<u>(13,475)</u>
OTHER FINANCING SOURCES (USES)			
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	193,202	193,202
Bond issuance costs	-	-	-
Total other financing sources and uses	<u>-</u>	<u>193,202</u>	<u>193,202</u>
Net change in fund balances	<u>(14,209)</u>	<u>(192,468)</u>	<u>(206,677)</u>
Fund balances - beginning	424,477	(1,397,389)	(972,912)
Fund balances - ending	<u>\$ 410,268</u>	<u>\$ (1,589,857)</u>	<u>\$ (1,179,589)</u>

The notes to the financial statements are an integral part of this statement.



PERRY CITY CORPORATION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ (206,677)

Amounts reported for governmental activities in the statement of activities are

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$317,092) exceeded depreciation (\$175,709) in the current period.

141,383

The liability for compensated absences is not recorded in the governmental funds, but is reported in the statement of assets. This is the current year change in the liability, reported as expense in the statement of activities.

(6,376)

management and management information systems to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities, except capital outlay and depreciation, which are included above.

(63,065)

Change in net assets of governmental activities

\$ (134,735)

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 267,350	\$ 267,350	\$ 285,847	\$ 18,497
Sales	480,000	480,000	422,704	(57,296)
Energy, 911 and Franchise tax	46,500	46,500	44,186	(2,314)
Licenses and permits	110,875	110,875	172,601	61,726
Intergovernmental	161,500	161,500	123,526	(37,974)
Charges for services	27,500	27,500	21,113	(6,387)
Fines	30,000	30,000	44,953	14,953
Investment earnings	20,000	20,000	41,292	21,292
Contributions and donations	50,500	50,500	5,168	(45,332)
Miscellaneous	18,300	18,300	13,283	(5,017)
Total revenues	<u>1,212,525</u>	<u>1,212,525</u>	<u>1,174,673</u>	<u>(37,852)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Judicial	30,000	30,000	23,560	6,440
Administration	409,000	409,000	370,201	38,799
Public safety	365,950	365,950	331,398	34,552
Streets	484,300	484,300	366,622	117,678
Parks	122,400	122,400	97,101	25,299
Total expenditures	<u>1,411,650</u>	<u>1,411,650</u>	<u>1,188,882</u>	<u>222,768</u>
Excess of revenues over expenditures	<u>(199,125)</u>	<u>(199,125)</u>	<u>(14,209)</u>	<u>184,916</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	15,000	-	(15,000)
Sale of capital assets	120,000	120,000	-	(120,000)
Total other financing sources and uses	<u>120,000</u>	<u>135,000</u>	<u>-</u>	<u>(135,000)</u>
Net change in fund balances	<u>(79,125)</u>	<u>(64,125)</u>	<u>(14,209)</u>	<u>49,916</u>
Fund balances - beginning	424,477	424,477	424,477	-
Fund balances - ending	<u>\$ 345,352</u>	<u>\$ 360,352</u>	<u>\$ 410,268</u>	<u>\$ 49,916</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	Business-type Enterprise <u>Fund-Utilities</u>	Governmental Activities - Internal <u>Service Funds</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,140,648	\$ -
Accounts receivable (net of allowance for uncollectibles)	58,487	-
Due from other funds	55,145	-
Total current assets	<u>1,254,280</u>	<u>-</u>
<b>Noncurrent assets:</b>		
Restricted cash, cash equivalents, and investments:		
Revenue bond covenant accounts	332,078	-
Total restricted assets	<u>332,078</u>	<u>-</u>
<b>Capital assets:</b>		
Land	173,579	-
Buildings	96,992	-
Improvements	5,509,049	-
Machinery and equipment	125,646	9,430
Vehicles	3,800	334,002
Construction in progress	52,992	-
Less accumulated depreciation	<u>(1,890,337)</u>	<u>(201,139)</u>
Total capital assets (net of accumulated depreciation)	<u>4,071,721</u>	<u>142,293</u>
Total noncurrent assets	<u>4,403,799</u>	<u>142,293</u>
Total assets	<u>5,658,079</u>	<u>142,293</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY  
STATEMENT OF NET ASSETS (Continued)  
PROPRIETARY FUNDS  
JUNE 30, 2004

	Business-type Enterprise Fund-Utilities	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	46,602	2,769
Accrued payroll liabilities	12,321	1,171
Due to other funds	-	55,145
Total current liabilities	<u>58,923</u>	<u>59,085</u>
<b>Current liabilities payable from restricted assets:</b>		
Revenue bonds payable	48,819	-
Capital lease payable		-
Note payable		5,672
Accrued interest payable	7,809	-
Total current liabilities payable from restricted assets	<u>56,628</u>	<u>5,672</u>
<b>Noncurrent liabilities:</b>		
Deferred Revenue	43,845	
Revenue bonds payable	520,206	-
Compensated absences	4,409	327
Capital lease payable		5,329
Total noncurrent liabilities	<u>568,460</u>	<u>5,656</u>
Total liabilities	<u>684,011</u>	<u>70,413</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,502,696	131,292
Restricted for capital projects	250,778	-
Restricted for debt service	81,300	-
Unrestricted	1,139,294	(59,411)
Total net assets	<u>\$ 4,974,068</u>	<u>\$ 71,881</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Enterprise Fund-Utilities	Governmental Activities - Internal Service Funds
Operating revenues:		
Charges for sales and services:		
Water	\$ 226,654	\$ -
Sewer	147,157	-
Garbage	126,577	-
Storm Drain	25,392	-
Interfund services	-	100,000
Total operating revenues	<u>525,780</u>	<u>100,000</u>
Operating expenses:		
Water	189,138	-
Sewer	132,428	-
Garbage	118,480	-
Storm Drain	15,328	-
Depreciation	109,920	20,964
Fleet Lease	-	72,197
Total operating expenses	<u>565,294</u>	<u>93,161</u>
Operating income	<u>(39,514)</u>	<u>6,839</u>
Nonoperating revenues (expenses):		
Impact, connection and other-water	241,593	-
Impact, connection and other-sewer	167,724	-
Impact, connection and other-storm drain	33,403	-
Investment earnings	1,249	-
Interest and fiscal charges	(16,401)	(1,048)
Gain (Loss) on sale of fixed assets	68,191	(5,172)
Total nonoperating revenue (expenses)	<u>495,759</u>	<u>(6,220)</u>
Income before contributions and transfers	456,245	619
Transfers in	-	-
Transfers out	-	-
Change in net assets	456,245	619
Total net assets - beginning	4,517,823	71,262
Total net assets - ending	<u>\$ 4,974,068</u>	<u>\$ 71,881</u>

The notes to the financial statements are an integral part of this statement.

PERRY CITY CORPORATION  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Enterprise Fund-Utilities	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 465,680	\$ -
Payments to suppliers	(209,165)	-
Payments to employees	(159,596)	(20,232)
Other receipts	-	100,000
Other payments	(55,000)	-
Net cash provided by operating activities	<u>41,919</u>	<u>79,768</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer out to other funds	<u>-</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(163,144)	(84,650)
Proceeds from the disposition of capital assets	78,185	300
Other revenues	442,720	-
Payment on notes and leases payable	-	(8,397)
Payment on revenue bonds	(47,076)	-
Interest paid on notes and leases payable	-	(1,048)
Interest paid on revenue bonds	(17,128)	-
Net cash provided (used) from capital and related financing activities	<u>293,557</u>	<u>(93,795)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,249	-
Net cash provided from investing activities	<u>1,249</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	336,725	(14,027)
Cash and cash equivalents beginning of year	<u>1,136,001</u>	<u>14,027</u>
Cash and cash equivalents end of year	<u>\$ 1,472,726</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating income	\$ (39,514)	\$ 6,839
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	109,920	20,964
Change in assets and liabilities:		
Accounts receivable	(438)	-
Accounts payable	28,558	(2,540)
Due from/to other funds	(58,054)	55,445
Accrued payroll liabilities	(448)	(1,037)
Deferred revenue	690	-
Obligation for compensated absences	1,205	97
Net cash provided by (used in) operating activities	<u>\$ 41,919</u>	<u>\$ 79,768</u>

The accompanying notes are an integral part of these financial statements.

**PERRY CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highways and street, water, sewer, storm sewer, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of Perry City Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds and accounts of the City. No other entities were determined to be component units of the City.

**B. Government-wide and Fund Financial Statements**

**Government-wide Financial statements.** The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

**Fund Financial Statements.** Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. The remaining governmental and enterprise funds are combined into a single column and reported as other (nonmajor) funds. Internal service funds, even though primarily benefiting governmental activities, are reported on the proprietary fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**Government-wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Capital assets acquired through the use of financial resources are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

**Governmental Fund Financial Statements.** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days, and therefore do not meet the "available" criterion, are reported as deferred revenue until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, restaurant taxes, and franchise taxes, are considered "measurable" and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The City reports the following major governmental funds:

**General Fund**---The General Fund accounts for all activities not accounted for by other funds of the City. The principal source of revenue for this fund is sales tax.

**Capital Project Fund**---The Capital Project Fund is used to account for the acquisition or construction of fixed assets. In this instance, it is used to account for the Pointe Perry Project.

**Proprietary Fund Financial Statements.** Proprietary funds include enterprise funds and internal service funds. Enterprise funds report the activities for which a fee is charged to external users for goods or services. Internal service funds are used to account for the goods and services provided by one fund to other funds of the City, rather than to the general public. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.



PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The City reports the following major proprietary funds:

**Utility Fund**---The utility fund is used to account for revenue and expenses for the water, sewer, garbage and storm drain services.

**Fleet Lease Internal Service Fund**---The Fleet Lease Fund is used to account for charges to the other funds for the use of the City fleet. In the government-wide financial statements, the Fleet Lease Internal Service Fund is included with the governmental activities.

**D. Budgets**

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within the general fund; however, any transfer of budgeted amounts between departments within the general fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the general fund.
5. Budgeted amounts are as originally adopted, or as amended by the City Council prior to June 30. Individual amendments were not material in relation to the original appropriations which were amended.

**E. Cash and Cash Equivalents**

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the City Treasurer in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Statements of cash flows are presented for proprietary funds under the direct method. For purposes of the statements of cash flows, each fund's allocated portion of pooled cash and investments is considered to be cash and cash equivalents, since this amount is immediately available for use by the fund.

PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Interfund transactions**

Interfund transactions represent transactions between different funds within the City. In general, interfund activity, including internal service fund transactions, has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

**G. Private-sector Standards of Accounting and Financial Reporting**

The City generally applies to both the government-wide and proprietary fund statements all *Financial Accounting Standards Board (FASB)* Statements and Interpretations, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board (GASB)*. The City has elected not to follow private-sector guidance subsequent to that date.

**H. Capital Assets**

Capital assets include land, buildings, improvements other than buildings, leasehold improvements, furniture, fixtures and equipment, vehicles, infrastructure (roads, bridges, lighting and flood control) and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$2,500; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. Interest on assets being readied for service in proprietary funds is capitalized. During 2005 no interest was capitalized because no significant construction occurred in proprietary funds.

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Equipment	5-20 years
Vehicles	5-10 years
Infrastructure	20-80 years

PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but not used vacation benefits. An estimate of vacation pay is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

**J. Long-term liabilities**

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**K. Net Assets/Fund Balances**

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**L. Property Taxes**

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 22 for the next fiscal year beginning July 1 and are due November 30. City property tax revenues are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 2. RECEIVABLES**

Receivables at June 30, 2005, consist of the following:

	Taxes	Due from other Governments	Accounts	Total
Governmental activities:				
General Fund	\$ 51,222	\$ 25,852	\$ 45,047	\$ 122,121
Total receivables	<u>\$ 51,222</u>	<u>\$ 25,852</u>	<u>\$ 45,047</u>	<u>\$ 122,121</u>
Business-type activities:				
Utility fund, net of allowance \$1,500	\$ -	\$ -	\$ 58,487	\$ 58,487

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 188,825	\$ -	\$ -	\$ 188,825
Construction in progress	1,183,252	-	-	1,183,252
Total capital assets not being depreciated	<u>1,372,077</u>	<u>-</u>	<u>-</u>	<u>1,372,077</u>
Capital assets being depreciated:				
Buildings	62,036	9,400	-	71,436
Improvements	483,982	-	-	483,982
Infrastructure	6,056,414	200,394	-	6,256,808
Furniture, machinery and equipment	71,581	21,077	-	92,658
Vehicles	286,713	86,221	(7,060)	365,874
Total capital assets being depreciated	<u>6,960,726</u>	<u>317,092</u>	<u>(7,060)</u>	<u>7,270,758</u>
Less accumulated depreciation				
Buildings	(13,590)	(1,551)	-	(15,141)
Improvements	(246,953)	(24,952)	-	(271,905)
Infrastructure	(813,206)	(121,822)	-	(935,028)
Furniture, machinery and equipment	(55,532)	(4,390)	-	(59,922)
Vehicles	(196,852)	(22,994)	1,589	(218,257)
Total accumulated depreciation	<u>(1,326,133)</u>	<u>(175,709)</u>	<u>1,589</u>	<u>(1,500,253)</u>
Total capital assets being depreciated, net	<u>5,634,593</u>	<u>141,383</u>	<u>(5,471)</u>	<u>5,770,505</u>
Governmental activity capital assets, net	<u>\$ 7,006,670</u>	<u>\$ 141,383</u>	<u>\$ (5,471)</u>	<u>\$ 7,142,582</u>

PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 3. CAPITAL ASSETS (Continued)**

**Business-type activities:**

**Capital assets not being depreciated:**

Land	\$ 183,573	\$ -	\$ (9,994)	\$ 173,579
Construction in progress	52,992	-	-	52,992
Total assets not being depreciated	<u>236,565</u>	<u>-</u>	<u>-</u>	<u>226,571</u>

**Capital assets being depreciated:**

Buildings	96,992	-	-	96,992
Improvements	5,352,353	156,696	-	5,509,049
Furniture, machinery and equipment	119,198	6,448	-	125,646
Vehicles	3,800	-	-	3,800
Total capital assets being depreciated	<u>5,572,343</u>	<u>163,144</u>	<u>-</u>	<u>5,735,487</u>

**Less accumulated depreciation**

Buildings	(1,212)	(2,425)	-	(3,637)
Improvements	(1,752,552)	(98,311)	-	(1,850,863)
Furniture, machinery and equipment	(22,853)	(9,184)	-	(32,037)
Vehicles	(3,800)	-	-	(3,800)
Total accumulated depreciation	<u>(1,780,417)</u>	<u>(109,920)</u>	<u>-</u>	<u>(1,890,337)</u>

Total capital assets being depreciated, net	<u>3,791,926</u>	<u>53,224</u>	<u>-</u>	<u>3,845,150</u>
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Business-type capital assets, net	<u>\$ 4,028,491</u>	<u>\$ 53,224</u>	<u>\$ -</u>	<u>\$ 4,071,721</u>
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**Depreciation expense was charged to functions as follows:**

**Governmental activities:**

Administration	\$ 6,495
Parks	13,694
Police	289
Streets	134,267

Depreciation on capital assets of the City's governmental internal service fund is charged to the various functions based on their usage of the assets

	20,964
Total depreciation expense - governmental activities	<u>\$ 175,709</u>

**Business-type activities:**

Sewer	\$ 38,186
Water	68,646
Storm Drain	3,088
Total depreciation expense - business-type activities	<u>\$ 109,920</u>

**PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 4. RETIREMENT PLANS**

**Plan Description.** Perry City Corporation contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** In the Local Governmental Noncontributory Retirement System, Perry City Corporation is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage contributory division members are required to contribute 12.29% of their salary (all or part may be paid by the employer for the employee) and Perry City Corporation is required to contribute 7.7% of their annual salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Perry City Corporation contributions to the Noncontributory Retirement System for June 30, 2005, 2004, and 2003 were \$27,408, \$24,147, and \$14,888 respectively and for the Public Safety Retirement System the contributions for June 30, 2005, 2004, and 2003 were \$30,881, \$26,830 and \$21,116 respectively.

The City also sponsors a 401-K deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$20,100 to this plan during the year ended June 30, 2005, and the employees contributed \$12,300.

**PERRY CITY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 5. LONG-TERM OBLIGATIONS**

The City has the following long-term obligations at June 30, 2005:

In 1998, the City issued \$640,000 in Revenue Water Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated January 1, 2000, and mature on January 1, 2019, and bear interest at a rate of 2.56%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	29,000	12,288	43,294	2.56%
2007	30,000	11,546	43,553	2.56%
2008	30,000	10,778	42,786	2.56%
2009	31,000	10,010	43,019	2.56%
2010	32,000	9,216	43,226	2.56%
2011	33,000	8,397	43,408	2.56%
2012	34,000	7,552	43,564	2.56%
2013	35,000	6,682	43,695	2.56%
2014	35,000	5,786	42,800	2.56%
2015	36,000	4,890	42,905	2.56%
2016	37,000	3,968	42,984	2.56%
2017	38,000	3,020	43,037	2.56%
2018	39,000	2,048	43,066	2.56%
2019	41,000	1,050	44,069	2.56%
	<u>\$ 480,000</u>	<u>\$ 97,231</u>	<u>\$ 605,406</u>	

In 1972, the City issued \$210,000 in Revenue Sewer Bonds to finance additional sewer construction. The bonds are to be repaid from sewer sales from the utility fund. The bonds were dated January 1, 1984, and mature on January 1, 2008, and bear interest at a rate of 5.00%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	11,500	1,650	15,156	5.00%
2007	13,000	1,075	16,082	5.00%
2008	8,500	425	10,933	5.00%
	<u>\$ 33,000</u>	<u>\$ 3,150</u>	<u>\$ 42,171</u>	

In 1992, the City issued \$150,000 in Revenue Water Bonds to finance additional water construction. The bonds are to be repaid from water sales from the utility fund. The bonds were dated June 5, 1992, and mature on January 1, 2011, and bear interest at a rate of 3.00%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2006	8,319	1,681	12,006	3.00%
2007	8,569	1,431	12,007	3.00%
2008	8,826	1,174	12,008	3.00%
2009	9,091	909	12,009	3.00%
2010	9,363	637	12,010	3.00%
2011	11,857	356	14,224	3.00%
	<u>\$ 56,025</u>	<u>\$ 6,188</u>	<u>\$ 74,264</u>	

PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 5. LONG-TERM OBLIGATIONS (Continued)**

In 2002, the City purchased a new police vehicle for \$26,268. The note was issued from a local bank in May 2002 with final payment due May 2007 at 6.75% annual interest. The following is a debt schedule over the period of the note:

Year	Principal	Interest	Total
2006	5,672	569	8,247
2007	5,329	175	7,511
	<u>\$ 11,001</u>	<u>\$ 744</u>	<u>\$ 15,758</u>

The City entered into a capital lease arrangement for financing the acquisition of a police vehicle which is recorded in the General Fund. The capital lease has been recorded at the present value of the future minimum lease payments. The vehicle was recorded under the lease at the purchase price of \$18,249 and has accumulated depreciation of \$10,627, for a net carrying value of \$7,622, at June 30, 2005. The current year depreciation expense was \$1,962. The lease was paid in full during the year ended June 30, 2005.

The remaining long-term debt consists of compensated absences in the amount of \$18,593.

Transactions affecting long-term obligations are as follows:

	Bonds Payable	Notes Payable	Leases Payable	Compensated Absences	Total
<b>Governmental</b>					
Balance, July 1	\$ -	\$ 16,304	\$ 3,094	\$ 7,711	\$ 27,109
Additions	-	-	-	6,822	6,822
Retirements	-	(5,303)	(3,094)	(349)	(8,746)
Balance, June 30	<u>\$ -</u>	<u>\$ 11,001</u>	<u>\$ -</u>	<u>\$ 14,184</u>	<u>\$ 25,185</u>
Due within 1 year	<u>\$ -</u>	<u>\$ 5,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,672</u>
<b>Business-type</b>					
Balance, July 1	\$ 616,101	\$ -	\$ -	\$ 3,204	\$ 619,305
Additions	-	-	-	1,320	1,320
Retirements	(47,076)	-	-	(115)	(47,191)
Balance, June 30	<u>\$ 569,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,409</u>	<u>\$ 573,434</u>
Due within 1 year	<u>\$ 48,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,819</u>



**PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 6. SHORT-TERM DEBT**

Short-term debt consists of the interim warrants issued to fund improvements to the Pointe Perry project. The balance at the beginning of the year was \$1,339,196 with an increase of \$193,202 representing interest rolled over in the warrants during the year.

**NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The following funds and/or departments had expenditures in excess of budget:

	Actual		Budget		Excess
Capital Projects Fund	\$ 193,202		\$ 162,000		\$ (31,202)

The following fund had a deficit fund balance:

Capital Project Fund	\$ 1,589,857
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This deficit fund balance is a result of the Pointe Perry project. The City has expended the funds for improvements, but the bonds have not yet been issued. This results in the deficit fund balance until the long term funding is obtained.

**NOTE 8. CASH AND INVESTMENTS**

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City.

**Deposits**

At June 30, 2005, the carrying amount of the City deposits was \$42,727 and the bank balance was \$131,107. Of the bank balance, \$105,762 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

PERRY CITY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 8. CASH AND INVESTMENTS (Continued)**

**Investments**

At June 30, 2005, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Certificate of Deposit	115,485	Jan. 4, 2007	N/A
Utah Public Treasurer's Investment Fund	1,844,844	N/A	Unrated
<b>Total</b>	<u>1,960,329</u>		

**Interest Rate Risk.** The City has not policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City invests in the Utah Public Treasurer's Investment Fund which is short term.

**Credit Risk.** The City has no policy regarding credit risk. The investment in the Utah Public Treasurer's Investment Fund is unrated. These monies are invested primarily in money market securities.

**Custodial Credit Risk.** For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's \$115,485 investments in a certificate of deposit are uninsured and uncollateralized investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City has no policy on custodial credit risk.

**Total cash and investments:**

Deposits	\$ 42,727
Investments	1,960,329
Cash on hand	40
	<u>\$ 2,003,096</u>

**As reported in the financial statements:**

Cash and cash equivalents	\$ 1,671,018
Restricted cash and cash equivalents	332,078
	<u>\$ 2,003,096</u>

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of fund shares.

**PERRY CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 9. SEGMENT INFORMATION FOR ENTERPRISE FUND**

The City maintains one Public Utility Fund which provides water, sewer and garbage. Segment information for the year ended June 30, 2005, was as follows:

	Water	Sewer	Garbage	Storm Drain	Total
<b>Assets:</b>					
Current assets	\$ 313,570	\$ 313,570	\$ 313,569	\$ 313,571	\$ 1,254,280
Capital assets	2,371,836	1,452,658	-	247,227	4,071,721
Noncurrent assets	56,773	275,305			332,078
<b>Total assets</b>	<b>\$ 2,742,179</b>	<b>\$ 2,041,533</b>	<b>\$ 313,569</b>	<b>560,798</b>	<b>\$ 5,658,079</b>
<b>Liabilities:</b>					
Current liabilities	\$ 62,880	\$ 18,997	\$ 22,986	10,688	\$ 115,551
Due to other funds	-	-	-	-	-
Non-current liabilities	521,272	47,188			568,460
<b>Total liabilities</b>	<b>\$ 584,152</b>	<b>\$ 66,185</b>	<b>\$ 22,986</b>	<b>10,688</b>	<b>\$ 684,011</b>
<b>Net assets:</b>					
Investment in capital assets, net of related debt	\$ 1,835,811	\$ 1,419,657	\$ -	\$ 247,228	\$ 3,502,696
Restricted for debt service	49,000	32,300	-	-	81,300
Restricted for development	7,773	243,005	-	-	250,778
Unrestricted	285,992	252,452	300,425	300,425	1,139,294
<b>Total net assets</b>	<b>\$ 2,178,576</b>	<b>\$ 1,947,414</b>	<b>\$ 300,425</b>	<b>547,653</b>	<b>\$ 4,974,068</b>
<b>Operating revenues:</b>					
Charges for service	\$ 226,654	\$ 147,157	\$ 126,577	25,392	\$ 525,780
Grants and contributions	-	-	-	-	-
Operating expenses, excluding depreciation	(189,138)	(132,428)	(118,480)	(15,328)	(455,374)
Depreciation	(68,646)	(38,186)	-	(3,088)	(109,920)
<b>Operating income</b>	<b>(31,130)</b>	<b>(23,457)</b>	<b>8,097</b>	<b>6,976</b>	<b>(39,514)</b>
<b>Non-operating revenues:</b>					
Interest expense	(14,461)	(1,940)	-	-	(16,401)
Impact fees	186,103	148,121	-	33,133	367,357
Other connection fees	53,720	13,603	-	-	67,323
Interest income	624	625	-	-	1,249
Gain (loss) on sale of assets	-	68,191	-	-	68,191
Other	1,770	6,000	-	270	8,040
Operating transfer in (out)	-	-	-	-	-
<b>Change in net assets</b>	<b>196,626</b>	<b>211,143</b>	<b>8,097</b>	<b>40,379</b>	<b>456,245</b>
<b>Beginning net assets</b>	<b>1,177,327</b>	<b>2,714,337</b>	<b>235,941</b>	<b>390,218</b>	<b>4,517,823</b>
<b>Ending net assets</b>	<b>\$ 1,373,953</b>	<b>\$ 2,925,480</b>	<b>\$ 244,038</b>	<b>\$ 430,597</b>	<b>\$ 4,974,068</b>

**PERRY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 10. PUBLIC UTILITY FUND**

At June 30, 2005, the City had 1,172 water connections and 1,155 sewer connections. During the year 76 new water and 78 new sewer connections were made. The City had no outstanding work orders for connections at June 30, 2005.

The average monthly billing per customer was \$16.12 for water and \$10.62 for sewer.

The following are the rates charged:

**Water:**

Single Family Dwelling 10,000 gal monthly minimum	\$15.00 per month
Multiple Dwellings 7,000 gal monthly minimum	\$12.50 per month per unit
Commercial Business 10,000 gal monthly minimum	\$15.00 per month
Non-Profit Organization Buildings 10,000 gal monthly minimum	\$15.00 per month
Over Minimum Fee	\$ .95 per thousand

**Sewer:**

For single dwelling units and transient apartments.	\$11.50 per month
For multiple dwelling units, hotels, and motels:	
First two units	each unit \$11.50 per month
Next three units	each unit \$10.00 per month
For each additional unit in excess of five units	each unit \$ 9.50 per month

**Garbage:**

First can	\$ 11.25 per month
Additional can	\$ 8.25 per month

Storm drain fee:	\$ 2.00 per month
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PERRY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 11. SUMMARY OF INSURANCE**

Insurance Carrier and Policy Number	Expiration Date	Coverage	Amount
State Insurance Fund	Continuous until canceled	Employers Liability	\$100,000 each
Utah Local Governments Insurance Trust TGL-116	Continuous until canceled	Comprehensive General  Liability	\$2,000,000 each & in aggregate
		Bodily Injury	\$2,000,000 each & in aggregate
		Property Damage	\$2,000,000 each & in aggregate
		Comprehensive Automobile Liability	\$2,000,000 each & in aggregate
		Bodily Injury	\$2,000,000 each & in aggregate
		Property Damage	\$2,000,000 each & in aggregate
		Uninsured Motorist	\$65,000 each & in aggregate
		Generator building	\$ 29,900
		D pump house	\$ 39,100
		Contents	\$ 18,666
		E pump house	\$ 12,900
		Contents	\$ 18,666
		Pump house	\$ 47,100
		Contents	\$ 12,078
		Reservoirs 1 & 2	\$ 700,600

PERRY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 13. SUMMARY OF INSURANCE (Continued)**

<u>Insurance Carrier and Policy Number</u>	<u>Expiration Date</u>	<u>Coverage</u>	<u>Amount</u>
		East Bench reservoir	\$ 524,700
		East Bench well house	\$ 53,700
		Contents	\$ 31,461
		City Offices	\$ 300,000
		Contents	\$ 135,000
		Chlorination house	\$ 4,500
		Contents	\$ 3,294
		Sewer outflow stations	\$ 69,300
		Contents	\$ 3,294
		Bowery	\$ 47,400
		Contents	\$ 6,500
		Storage Shed	\$ 17,900
		Contents	\$ 8,000
		Bowery #1	\$ 8,400
		Bowery #2	\$ 8,400
		Contents	\$ 7,000
		Restrooms	\$ 22,100
		Contents	\$ 950
		Restrooms	\$ 30,600
		Contents	\$ 528
		Equipment storage	\$ 35,000
		Contents	\$ 10,000
		Inflo shelter	\$ 13,400
		Case backhoe	\$ 65,000
		Data processing equipment	\$ 50,000
		Salt shed	\$ 38,900
		Sewer Lift Station #1	\$ 75,000
		Cat 14E grader	\$ 20,000
		Cat D8	\$ 25,000
American Motorist	7/1/2004	Bond - Treasurer	\$ 35,000
Utah Local Govs. Trust	2/20/2005	Bond - Treasurer/Recorder	\$ 208,000
Utah Local Govs. Trust	10/23/2005	Bond - Rec/Clerk	\$ 60,000

PERRY CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 12. POINTE PERRY SPECIAL IMPROVEMENT DISTRICT SUBSEQUENT EVENT**

During the year ended June 30, 2001, Perry City Corporation adopted an ordinance establishing a Redevelopment Agency and a Special Improvement District (SID) in conjunction with the development of Point Perry, a proposed retail shopping destination. Because the developer has not yet met the requirements of the agreement, the City has borrowed through interim warrants to pay for the improvements. The City intends to issue special assessment debt (bonds) for a maximum of \$1,600,000 to pay for the improvements which will be repaid by the developer through refunds of assessed property taxes and sales taxes. The activity has been reported in the Capital Projects Fund. Interim warrants of \$1,532,398 out of a maximum of \$1,600,000 have been issued as of June 30, 2005. These warrants are due August 2, 2005, and are reported as current portion notes payable in the Capital Projects Fund.

On August 11, 2005, the city issued Special Improvement District bonds in the amount of \$1,945,350 at a variable rate of interest based on 70% of the 1 month LIBOR as computed each year on the anniversary date.

**NOTE 13. RECONCILIATION OF DUE TO/DUE FROM BALANCES**

The following table provides a reconciliation of all due to/due from accounts:

Utility Fund		Fleet Lease Fund	
Due from Fleet Lease Fund	\$ 55,145	Due to Utility Fund	\$ 55,145
	<u>\$ 55,145</u>		<u>\$ 55,145</u>

This is a short term loan between funds to cover a cash deficit.

PERRY CITY CORPORATION  
CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 58,167	\$ 58,167	\$ -	\$ (58,167)
Investment earnings	3,000	3,000	734	(2,266)
Total revenues	61,167	61,167	734	(60,433)
EXPENDITURES				
Current:				
Administration	17,000	17,000	-	17,000
Total current expenditures	17,000	17,000	-	17,000
Total expenditures	17,000	17,000	-	17,000
Excess of revenues over expenditures	44,167	44,167	734	(43,433)
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	1,400,000	1,400,000		
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	(145,000)	(145,000)	(193,202)	(48,202)
Total other financing sources and uses	1,255,000	1,255,000	(193,202)	(48,202)
Net change in fund balances	1,299,167	1,299,167	(192,468)	(1,491,635)
Fund balances - beginning	(1,299,167)	(1,299,167)	(1,397,389)	(98,222)
Fund balances - ending	\$ -	\$ -	\$ (1,589,857)	(1,589,857)

The notes to the financial statements are an integral part of this statement.



**PERRY CITY CORPORATION CORPORATION**

**MANAGEMENT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2005**

**PERRY CITY CORPORATION  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2005**

**TABLE OF CONTENTS**

<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>1-2</b>
<b>Independent Auditors' Report on State of Utah Legal Compliance</b>	<b>3-4</b>
<b>Schedule of Findings, Recommendations and Responses</b>	<b>5-6</b>
<b>Status of Prior Year Findings</b>	<b>7-8</b>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Honorable Mayor and City Council  
Perry City Corporation, Utah

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City Corporation, as of and for the year ended June 30, 2005, which collectively comprise the Perry City Corporation's basic financial statements and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Perry City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Perry City Corporation in the accompanying Schedule of Findings, Recommendations, and Responses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Perry City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Perry City Corporation in the accompanying Schedule of Findings, Recommendations, and Responses.

This report is intended solely for the information of the management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Wiggins & Co., PC*

Brigham City, Utah  
November 2, 2005



## **INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE**

**To the Honorable Mayor and City Council  
Perry City Corporation, Utah**

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry City Corporation for the year ended June 30, 2005, which collectively comprise Perry City Corporation's basic financial statements and have issued our report thereon dated November 2, 2005. As part of our audit, we have audited Perry City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major state assistance programs from the State of Utah:

### **B & C Road Funds (Department of Transportation)**

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

### **Liquor Law Enforcement (State Tax Commission)**

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt**
- Cash Management**
- Purchasing Requirements**
- Budgetary Compliance**
- Truth in taxation and property tax limitations**
- Other Compliance Requirements**
- Building Permits**
- Impact Fees**

The management of Perry City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which we have reported to the management of Perry City Corporation in the Schedule of Findings, Recommendations and Responses for the year ended June 30, 2005. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Perry City Corporation complied in all material respects, with the general compliance requirements identified above and requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Wiggins & Co., PC*

Brigham City, Utah  
November 2, 2005

**PERRY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2005**

**STATE LEGAL COMPLIANCE FINDINGS**

**1. BUDGETARY COMPLIANCE**

**Finding:**

We noted that the following fund had expenditures which exceeded the budget appropriation for that fund:

Capital Projects Fund

We also noted that the Capital Projects fund had a deficit fund balance at June 30, 2005 .

**Recommendation:**

We recommend that the expenditures be monitored carefully and a plan be implemented to retire the deficit fund balance.

**Response:**

The City agrees and will monitor expenditures. The deficit fund balance will be eliminated upon issuance of the long term bonds which were issued in August 2005.

**2. BUILDING PERMITS**

**Finding:**

We noted that the building permit quarterly reports had been filed as required, but not always within the thirty day due date.

**Recommendation:**

We recommend that steps be taken to insure that this report is prepared and filed timely.

**Response:**

The City agrees and will attempt to comply in the future.

**PERRY CITY CORPORATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2005**

**3. OTHER GENERAL COMPLIANCE ISSUES**

**Finding:**

We noted that the City has more than the allowed 18% of total budgeted revenues as undesignated fund balance in the General Fund.

**Recommendation:**

Utah Code Section 10-6-116(2) states that the maximum amount in the undesignated fund balance in the General fund may not exceed 18% of the total estimated revenue of the General Fund. We recommend that the City monitor these amounts and plan accordingly.

**Response:**

The City will monitor amounts in the General Fund equity accounts to comply with this requirement in the future. These funds were held over for projects not completed at June 30, 2005.



**PERRY CITY CORPORATION  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2005**

**STATE LEGAL COMPLIANCE FINDINGS**

**1. BUDGETARY COMPLIANCE**

**Finding:**

We noted that the following funds had expenditures which exceeded the budget appropriation for that fund:

Capital Projects Fund  
General fund:  
    Public Safety  
    Parks

We also noted that the Capital Projects fund had a deficit fund balance at June 30, 2004.

**Recommendation:**

We recommend that the expenditures be monitored carefully and a plan be implemented to retire the deficit fund balance.

**Status:**

Not implemented. See current year findings.

**2. BUILDING PERMITS**

**Finding:**

We noted that the building permit quarterly reports had been filed as required, but not always within the thirty day due date.

**Recommendation:**

We recommend that steps be taken to insure that this report is prepared and filed timely.

**Status:**

Not implemented. See current year findings.

**PERRY CITY CORPORATION  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2005**

**3. OTHER GENERAL COMPLIANCE ISSUES**

**Finding:**

We noted that the City has more than the allowed 18% of total budgeted revenues as undesignated fund balance in the General Fund.

**Recommendation:**

Utah Code Section 10-6-116(2) states that the maximum amount in the undesignated fund balance in the General fund may not exceed 18% of the total estimated revenue of the General Fund. We recommend that the City monitor these amounts and plan accordingly.

**Status:**

Not implemented. See current year findings.

**4. OTHER FINDINGS**

**Finding:**

We noted that some payroll action items were not noted in the minutes. It appears the City discusses some items in closed sessions.

**Recommendation:**

We recommend that the City document all payroll action items in the formal minutes. We also recommend that the City document employees' Grade and Step and effective date on the payroll data sheet or elsewhere in the personnel file.

**Status:**

Implemented.

# PERRY CITY

3005 SOUTH 1200 WEST • PERRY, UTAH 84302

OFFICE • (435) 723-6461

FAX • (435) 723-8584

February 1, 2006

Richard Moon  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
P. O. Box 142310  
Salt Lake City, UT 84114-2310

Re: Proposed Corrective Action Regarding Letter Dated December 19, 2005

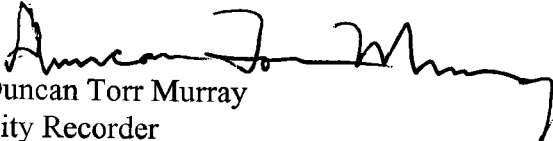
Mr. Moon:

Thank you again for allowing us the opportunity to take corrective action to return Perry City to substantial compliance with finance-related legal and contractual provisions as set forth by State law and as set forth in your recent letter dated December 19, 2005. As a new Mayor and City Recorder, we appreciate your willingness to allow the time necessary to complete this corrective action. The corrective action proposed by Perry City is as follows:

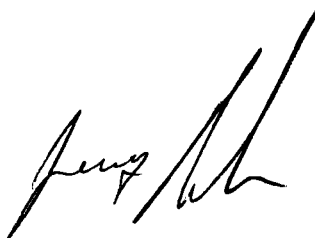
1. Duncan Torr Murray, City Recorder, shall serve as the contact person; and
2. Wiggins & Co., P. C., the accounting firm that completed our recent audit, has been retained to prepare the "Survey of Local Government Finances" Form; and
3. The Mayor and City Council, with the assistance of Wiggins & Co., P. C., will review the current budget we will identify the specific budget amendments necessary to comply with the fund balance limitations and to correct the deficit fund balance in the capital projects fund; and
4. We will be holding a Public Hearing and taking action to amend the budget on April 13, 2006, and we will submit the minutes of the meeting and the approved budget amendments soon thereafter.

Please let us know if this is an adequate plan for corrective action. Thank you again for your assistance in this regard.

Sincerely,

  
Duncan Torr Murray  
City Recorder

Jerry Nelson  
Mayor



# PERRY CITY

3005 SOUTH 1200 WEST • PERRY, UTAH 84302

OFFICE • (435) 723•6461

FAX • (435) 723•8584

February 21, 2006

Richard Moon  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
P. O. Box 142310  
Salt Lake City, UT 84114-2310

Re: Followup – Proposed Corrective Action Regarding Letters Dated December 19, 2005  
and February 10, 2006

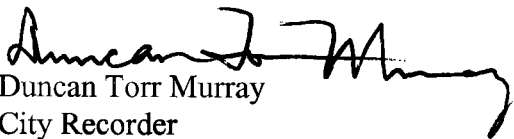
Mr. Moon:

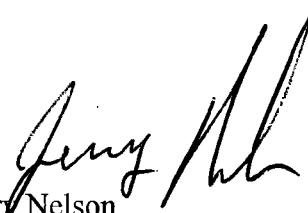
As per our February 1, 2006 letter, we again thank you for the opportunity to take corrective action to return Perry City to substantial compliance with finance-related legal and contractual provisions of State law and as per your recent letters dated December 19, 2005 and February 10, 2006. As previously stated, the corrective action proposed by Perry City is as follows:

1. Duncan Torr Murray, City Recorder, shall serve as the contact person (*he has been acting in this capacity*); and
2. Wiggins & Co., P. C., the accounting firm that completed our recent audit, has been retained to prepare the "Survey of Local Government Finances" Form and the June 30, 2005 "Deposits and Investments" Report (*these reports have been forwarded to the appropriate officials, with courtesy copies being attached for your reference*); and
3. The Mayor and City Council, with the assistance of Wiggins & Co., P. C., will review the current budget we will identify the specific budget amendments necessary to comply with the fund balance limitations and to correct the deficit fund balance in the capital projects fund (*we are in the process of doing this*); and
4. We will be holding a Public Hearing and taking action to amend the budget on April 13, 2006, and we will submit the minutes of the meeting and the approved budget amendments soon thereafter (*this hearing will be scheduled*).

It is our understanding that this is an adequate plan for corrective action.

Sincerely,

  
Duncan Torr Murray  
City Recorder

  
Jerry Nelson  
Mayor